The GRAND UNION *Company*

Annual Report

GRAND UNION
1872 1947
SEVENTY-FIFTH ANNIVERSARY
DIAMOND JUBILEE

FISCAL YEAR ENDED MARCH 1, 1947

The GRAND UNION *Company*

50 CHURCH STREET • NEW YORK, NEW YORK

Officers

J. SPENCER WEED	*Chairman of the Board*
LANSING P. SHIELD	*President*
GEORGE C. MAY	*Vice-President*
HUGH J. DAVERN	*Vice-President*
JOHN K. DAVENPORT	*Vice-President*
LOUIS C. WADMOND	*Vice-President*
THOMAS C. BUTLER	*Secretary-Treasurer*

Directors

PEMBERTON BERMAN

HENRY A. COLGATE

LOUIS A. GREEN

JACOB L. HAIN

IRVING KAHN

GEORGE C. MAY

RAY MORRIS

LANSING P. SHIELD

J. SPENCER WEED

Proxies for the annual meeting of stockholders to be held May 28, 1947 will be requested later, and the mailing to stockholders of the notice of the meeting, proxy statement, and proxy will be commenced on or about May 2, 1947.

This Annual Report is not sent to you in connection with the solicitation of proxies for the annual meeting and is not to be deemed to be incorporated in the proxy soliciting material by reference.

A Message to the
STOCKHOLDERS

The 1946 fiscal year of Grand Union operations was the most successful in the history of the Company, as will be seen from the statement of earnings and balance sheet submitted herewith.

Sales totaled $83,442,793., an increase of 50 per cent over the sales of $55,402,090. for the previous year. While higher prices account for a part of the large dollar increase in sales, a very substantial portion of the improvement was caused by the additional tonnage sold. Profits for the year were $1,522,003. or $6.83 per share after federal taxes of $1,250,000., depreciation of $162,136, and after providing for contingency reserves of $200,000. Total contingency reserves now amount to $500,000., the principal purpose of which is to provide for commodity price declines. Dividends amounting to $1.80 per share were declared during the fiscal year.

Merchandise inventories at the end of the fiscal year amounted to $7,940,335. This figure represents a total supply of about six weeks at the present rate of sales. Because of probable price declines in some commodities, it has been the policy of the management for several months to reduce inventories to an absolute minimum. At the close of the year 318 stores were in operation, of which 143 were fully departmentalized large self-service markets, and 813 advance premium routes were being operated. Both the chain store and route divisions showed substantial increases in sales and profits this past year.

Realizing that in this industry an important change in the type of store operations is in process, the Company has been endeavoring to anticipate this trend by opening larger markets and renovating and increasing the size of existing stores. Thus it has obtained substantially increased sales per unit and is in a better position to increase tonnage sales to compensate for probable lower retail prices in the future. It is proposed to continue this general policy in the year ahead. In addition, to offset the high cost of doing business, every effort is being made to improve operating efficiency.

It is our desire to pay tribute to the energy and resourcefulness of the organization which has met the changing postwar conditions with such enthusiasm and success. We are certain that the stockholders may count upon a continuation of these efforts during the current year — the seventy-fifth of the Company's operation.

J. Spencer Weed,
Chairman

Lansing P. Shield,
President

May 1, 1947

Chain Store Division

The chain store division operates 318 retail outlets in six eastern states. Record sales were realized during the fiscal year of 1946. The substantial increase in sales volume over the fiscal year of 1945 compares most favorably with the average increase in sales for all food chains over last year.

A part of this increase registered during the year is due to the rapid rise of retail prices following decontrol. Indications are that no further increases in dollar sales during the coming year will result from additional price rises. Further strengthening of the Company's position in the future must come from the process of building up tonnage volume.

New Super Markets

Super markets such as that pictured above at Ridgewood, New Jersey, are planned for opening during the coming year, or are already under construction in at least 15 localities. All of these will display the most modern of self-service grocery, dairy, and frozen foods departments, as well as the conventional meat and produce departments. Many will feature the latest type, complete bakery departments.

The modernization and enlargement of existing markets will continue this coming year. By this means, the Company expects to obtain substantial sales increases in these stores.

The Food-O-Mat

Pictured on the following page is the new, automatic, gravity-fed, grocery dispenser, called the "Food-O-Mat." Protected by patents, the first complete Food-O-Mat was installed in the Company's new large super market at Ridgewood, N. J. last summer. Immediate customer acceptance of this revolutionary "silent salesman" is indicated by the continued large sales volume of this store.

Additional Food-O-Mats are now being installed in both new and existing super markets. The low operating costs, the quick turnover, the convenience to the customer, the added cleanliness, and the saving in space afforded by the Food-O-Mat indicate that in this new development the Company has a valuable asset.

Public Relations

Continued awareness of the importance of good public relations has characterized the Company's policies in this field during the past year. It is significant to note that both in the Metropolitan New York dailies and in the newspapers of other territories, the Company on several occasions in the past few months has been headlined as the leader in reducing retail food prices.

In addition to its regular newspaper advertising, the Company has done considerable radio promotion this past year over 17 radio stations reaching its customers in six states.

Personnel Relations

The opening of the Company's new employees training school at Pleasantville, N. Y., a long-felt need delayed by war restrictions, highlighted the personnel program during the year. The Company has continued its long-term policy of granting all possible benefits to employees, such as group life insurance, vacations with pay, sick leave, and a retirement plan.

It is significant that over ninety-nine per cent of all eligible employees have joined the retirement plan, the first such plan to be adopted by a major food chain company.

Post-Reconversion Outlook

Wartime shortages of food items, with few exceptions, are no longer a problem in the retail food industry. With the return of scarce merchandise to the shelves of all food stores, small independents and large chains alike, once again quality, price, courteous service, cleanliness, and convenience play their traditional roles in influencing the customer to select her food market.

Throughout the war, personnel relations, merchandising policies, store modernization plans, and public relations of the Company have been designed with tomorrow's conditions in mind. Accordingly, the Company finds itself in a strong position competitively.

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Assets

Current assets:		
Demand deposits in banks and cash on hand		$ 2,253,679.06
Accounts receivable:		
Trade	$ 484,109.98	
Miscellaneous	301,274.94	
	785,384.92	
Less, Allowance for losses	152,985.32	632,399.60
Inventories at the lower of cost or market:		
Merchandise	7,305,432.98	
Premiums	634,902.20	7,940,335.18
Costs of inventories at warehouses are determined on the basis of "first-in, first-out." The "retail method" of accounting is used with respect to inventories at retail outlets.		
Total current assets		10,826,413.84
Real estate ($65,701.02), mortgages and miscellaneous investments at costs or written-down amounts, less allowances for depreciation of improvements, $13,250.03, and for losses $10,721.05		115,759.22
Machinery, fixtures and equipment ($3,199,785.33 at costs and $298,060.12 at written-down amounts at December 31, 1932 as approved by Board of Directors)	3,497,845.45	
Less, Allowance for depreciation	1,702,320.73	1,795,524.72
Premium merchandise advanced to customers, at cost less cost of profit-sharing credits	611,607.41	
Less, Allowance for losses	165,654.02	445,953.39
Expense supplies, prepaid and deferred charges, etc.		406,849.26
Good will		1.00
		$13,590,501.43

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Balance Sheet

1, 1947

Liabilities

Current liabilities:		
Bankers acceptances against coffee received under trust receipts		$ 206,337.79
Accounts payable and accrued liabilities		2,878,483.87
Provision for federal taxes on income		1,277,877.15
Amount payable upon surrender of unexchanged certificates for old preference stock, coupons representing distributions on dividend arrearage certificates and scrip for fractional shares of capital stock		15,334.53
Total current liabilities		4,378,033.34
Employees' fidelity deposits		167,398.15
Reserves:		
Contingencies	$ 500,000.00	
Unredeemed premium tickets	31,115.19	
Self-insurance, fire	53,085.49	584,200.68
		5,129,632.17

The company is contingently liable under letters of credit in the approximate amount of $32,000.

Capital

Capital stock, no par value, authorized 400,000 shares, issued 222,738-12/15 shares	4,322,248.00	
Note: The 222,738-12/15 shares shown above include 764 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 88-3/15 shares of capital stock represented by unexchanged certificates for 1,323 shares of old common stock.		
Capital surplus, March 2, 1946 and March 1, 1947	497,241.95	
Earned surplus since December 8, 1939, as annexed	3,644,601.15	
	8,464,091.10	
Less, Treasury stock, 259-10/15 shares, at cost	3,221.84	8,460,869.26
		$13,590,501.43

Consolidated Statement of Income

for the fifty-two weeks ended March 1, 1947

Sales		$83,442,793.74
Cost of sales (including depreciation of $30,447.96)		66,696,879.24
Gross profit		16,745,914.50
Selling and general expenses:		
Selling expenses, salaries of salesmen, managers and superintendents, delivery, advertising and other expenses	$11,187,801.19	
Rentals of retail outlets	790,317.25	
General and administrative expenses	929,010.85	
Provision for contributions under employees' retirement plan	150,000.00	
Allowances for doubtful accounts and premium merchandise advanced to customers	89,164.51	
Taxes, other than federal income	460,523.40	
Depreciation of retail distribution equipment, etc.	131,687.64	13,738,504.84
		3,007,409.66
Other deductions, including $26,732 net loss on retirements and sales of fixed assets, less miscellaneous income of $15,080		35,406.43
Net income before federal income taxes		2,972,003.23
Provision for federal income taxes		1,250,000.00
Net income		1,722,003.23
Provision for contingencies		200,000.00
Balance transferred to earned surplus		$ 1,522,003.23

Consolidated Statement of Earned Surplus

for the fifty-two weeks ended March 1, 1947

Earned surplus since December 8, 1939:	
Balance, March 2, 1946	$ 2,523,075.02
Balance transferred from Statement of Income	1,522,003.23
	4,045,078.25
Cash dividends declared at $1.80 per share	400,477.10
Balance, March 1, 1947	$ 3,644,601.15

Auditors' Report

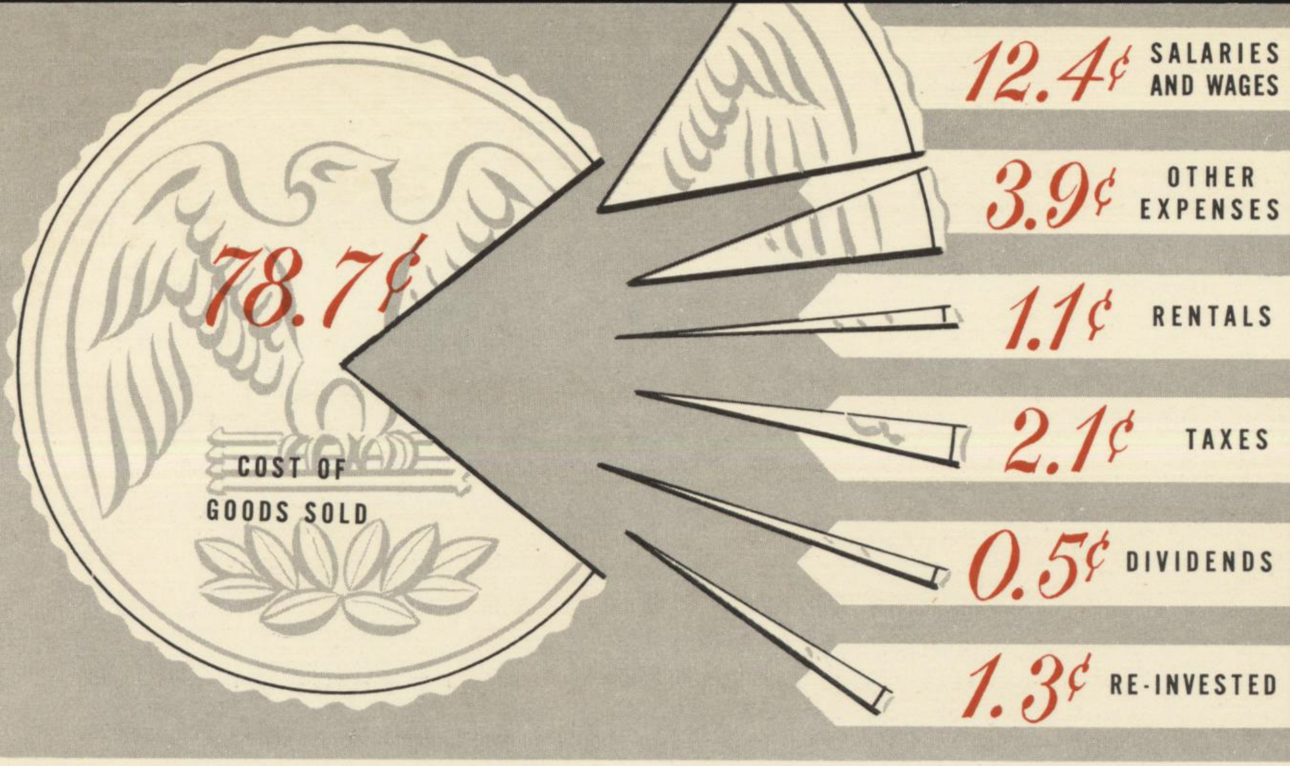
The Grand Union Company,
New York, N. Y.

We have examined the consolidated balance sheet of The Grand Union Company and its subsidiary as of March 1, 1947 and the consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and earned surplus present fairly the consolidated position of The Grand Union Company and its subsidiary at March 1, 1947 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the fifty-two weeks ended March 2, 1946.

Lybrand, Ross Bros. & Montgomery

New York, April 17, 1947.

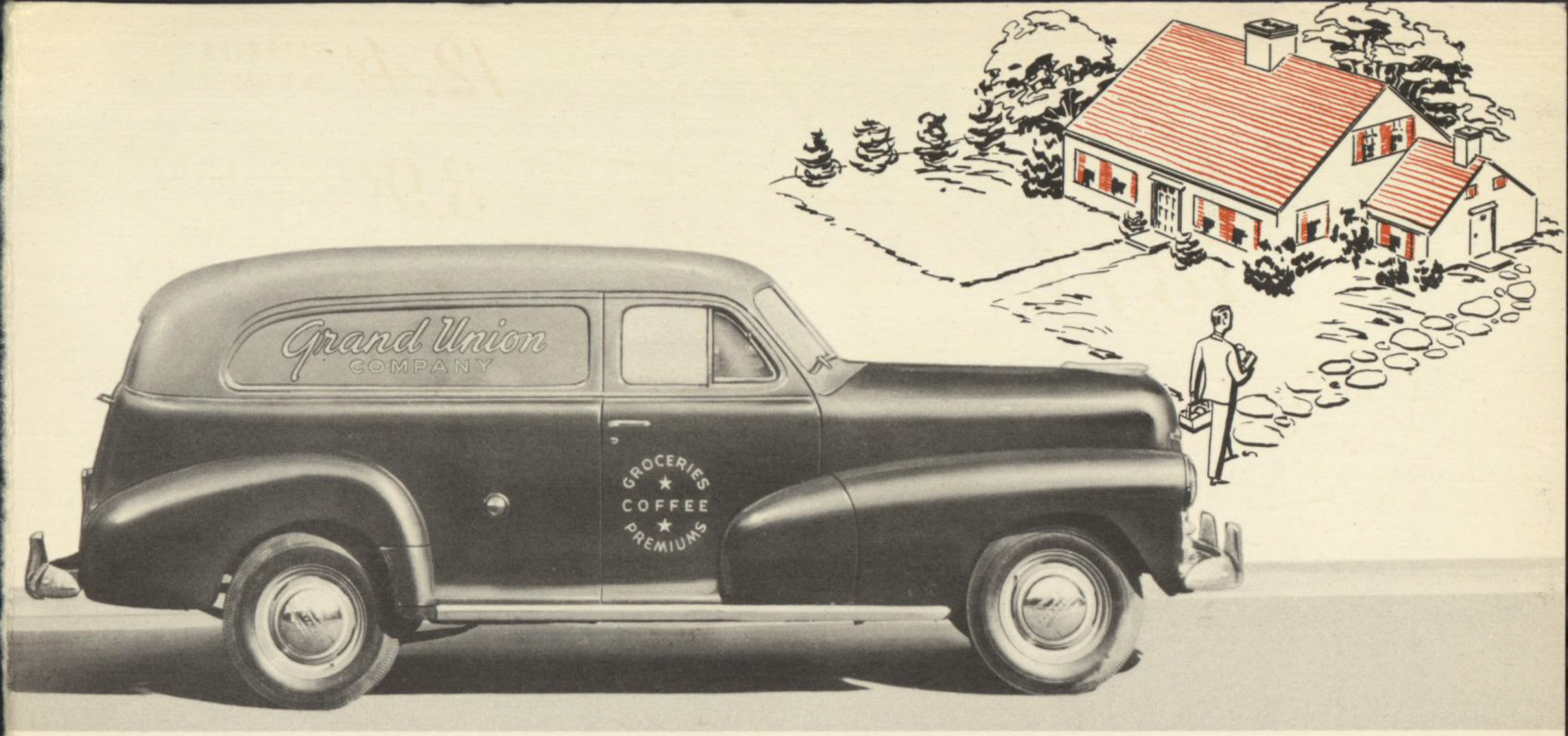


Simplified Statement of Income and Expenses

for the fifty-two weeks ended March 1, 1947

Our customers paid us for merchandise		\$83,442,793
This merchandise cost us		65,703,686
Leaving a balance of		17,739,107
Which was used as follows:		
We paid to our employees in salaries and bonuses	\$10,325,234	
We paid into our employees' retirement fund . .	150,000	
We paid to landlords for rentals	955,571	
We paid for various taxes, except federal income tax	460,523	
We paid out for other selling expenses, and for general and administrative expenses	2,875,776	
Making a total of		14,767,104
This leaves us a profit of		2,972,003
We divided this profit as follows:		
To the Federal Government in income taxes . .	1,250,000	
To provide for contingencies	200,000	
To our owners (the stockholders) in dividends .	400,477	1,850,477
Which leaves		\$1,121,526

This \$1,121,526 has been retained in our business for purchasing new equipment, opening new stores and modernizing present stores.



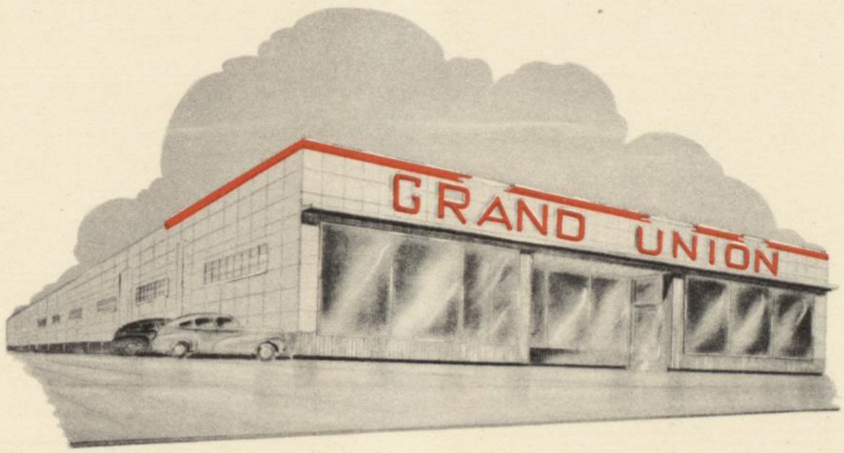
The Route Division

With over 800 friendly salesmen selling direct to housewives in 37 states, the route division has regained the business lost during the war due to shortages of manpower, premiums, trucks, and gasoline.

Replacement of pre-war delivery trucks continued at a satisfactory rate during the year, and it is expected that within the next two years, the entire fleet will be renewed. A typical, attractive, modern truck with its distinguishing Grand Union panel is pictured in the above photograph.

The immediate objective of the management is to increase sales of existing routes and thus lower distribution costs. As a means to this end, the Company proposes to give increasingly better values to its route division customers both in premiums and groceries.

Over 200,000 housewives are benefiting from Grand Union's premium offers, whereby the housewife receives the premium of her choice in advance, and pays for this premium through credits received from her bi-weekly purchases of coffee and other groceries from her Grand Union route salesman. This method of merchandising with premiums has been a main factor in the route division's operations throughout its 74-year history. As it celebrates its 75th anniversary, the Company looks forward to increased sales in the route division.


GRAND UNION